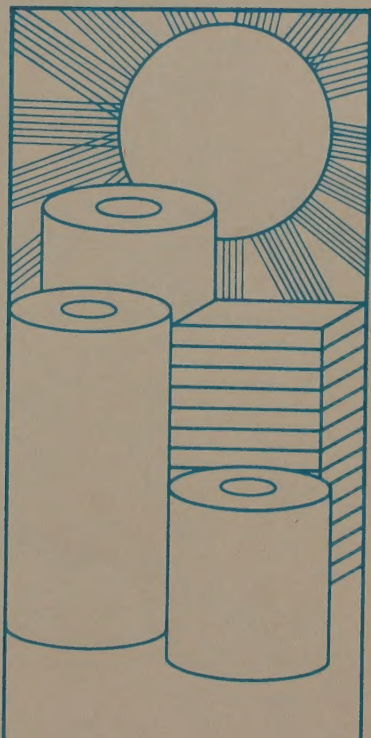


Quarterly Report

Second quarter and six months
ended on
June 30, 1976

Rolland Paper Company Limited

P.O. Box 306, Tour de la Bourse Postal Station,
Montreal, P.Q. H4Z 1H3





**Rolland
Paper Company
Limited**

To the Shareholders:

Consolidated net sales were \$27.4 million for the second quarter of 1976, as against \$24.5 million for the same period last year.

During the quarter there was a consolidated net loss of \$306,000 which, after taking into account the dividend on the preferred shares, represented 17¢ per class "A" share and 18¢ per class "B" share. It compared with a breakeven position in the second quarter of 1975.

For the first six months consolidated net sales were \$58.0 million, as compared to \$42.2 million last year and \$44.0 million two years ago. The 1976 results included sales of the Kruger Fine Paper Wholesale Distribution Division, acquired on March 31, 1975. A consolidated net loss of \$125,000 in the first six months, or 8¢ per class "A" share and 10¢ per class "B" share, compared to net earnings of \$393,000, or 20¢ per class "A" share and 18¢ per class "B" share, in the same period last year.

The loss in the quarter is due to a decrease in mill shipments from the previous quarter, a continued deterioration in our profit margin, development costs for two new ventures and lower efficiencies in paper mills.

The lower Canadian shipments of fine papers are attributed to the weak economic situation in Canada, and to the large volume of imports from the United States. Canadian merchants and end-users were forced to import fine papers from the United States during the recent lengthy strikes at three major Canadian producers of fine papers. Although imports are progressively decreasing, we do not anticipate a return to their historical level in 1976. It has also been impossible to increase selling prices since November 1974, to offset sizeable increases in pulp, chemicals, fuel, transporta-

tion and labour costs since that date. In fact, some discounting appeared in selected grades in an effort by Canadian mills to regain their market share from U.S. imports.

The modifications to our no. 4 paper machine, to produce decorative laminate base papers, were completed during the quarter, entailing development and start-up costs. No significant income is anticipated from this project during the current year. In May 1976, the Orchard Decor Canada, Limited plant at Granby, Que. started production of heat transfer papers for the textile industry.

Your Directors have decided to omit the quarterly dividend normally payable on September 15, to shareholders of class "A" and class "B" shares. The question of dividends will be reviewed regularly by your Directors.

On behalf of the Board,

Lucien G. Rolland
President and General Manager

Montreal, July 30, 1976



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On behalf of the Board,

Lucien G. Rolland
President and General Manager

Montreal, July 30, 1976

Consolidated Statement of Income
(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	1976	1975	1976	1975
Sales and Revenues:				
Sales	\$27,447	\$24,525	\$58,026	\$42,226
Investment and other income	69	106	170	204
	27,516	24,631	58,196	42,430
Cost and Expenses:				
Cost of products sold, selling and administrative expenses	27,289	24,079	56,945	40,789
Depreciation and amortization	492	429	955	831
Interest expense	265	192	566	292
	28,046	24,700	58,466	41,912
Earnings (loss) before income taxes and minority interest	(530)	(69)	(270)	518
Income taxes	105	41	(15)	(198)
Minority interest in loss	92	—	106	—
Earnings (loss) from operations	(333)	(28)	(179)	320
Amortization of excess of consideration net of taxes	(36)	(35)	(71)	(52)
Dividend income	63	63	125	125
Net earnings (loss)	\$ (306)	\$ Nil	\$ (125)	\$ 393
Net earnings (loss) per class "A" share	\$ (0.17)	\$ (0.01)	\$ (0.08)	\$ 0.20
Net earnings (loss) per class "B" share	\$ (0.18)	\$ (0.02)	\$ (0.10)	\$ 0.18

Consolidated Statement of Changes in Financial Position

SOURCE OF FUNDS

Net earnings (loss)	\$ (306)	\$ Nil	\$ (125)	\$ 393
Depreciation and amortization	533	470	1,037	889
Deferred income taxes	—	333	—	680
Minority interest in loss	(92)	—	(106)	—
Funds from operations	135	803	806	1,962
Mortgage	185	—	185	—
	\$ 320	\$ 803	\$ 991	\$ 1,962

APPLICATION OF FUNDS

Additions to fixed assets	\$ 1,684	\$ 1,757	\$ 3,221	\$ 3,219
Long-term debt reduction	57	—	83	—
Dividends	15	285	30	570
Fixed assets and goodwill acquired from Kruger	—	2,171	—	2,171
	1,756	4,213	3,334	5,960
DECREASE IN WORKING CAPITAL	(1,436)	(3,410)	(2,343)	(3,998)
	\$ 320	\$ 803	\$ 991	\$ 1,962

WORKING CAPITAL

\$14,954 \$ 9,446

Interim statements subject to audit

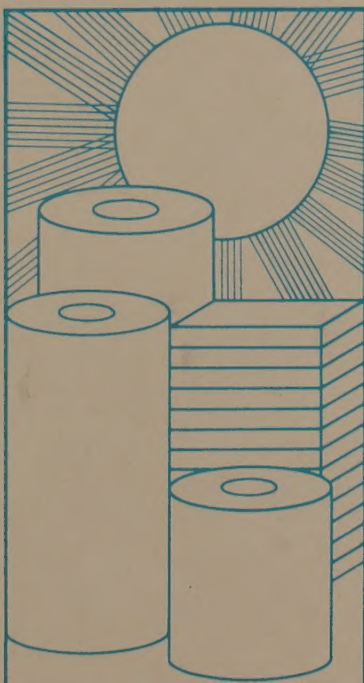
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Rapport Trimestriel

deuxième trimestre et six mois
se terminant
le 30 juin 1976

Compagnie de Papier Rolland Limitée

C.P. 306, Succursale postale
Tour de la Bourse, Montréal, P.Q. H4Z 1H3





A nos Actionnaires:

Le chiffre d'affaires consolidé a été de \$27.4 millions durant le deuxième trimestre de 1976 en comparaison de \$24.5 millions pour la même période l'an dernier.

Durant le trimestre, il y eut des pertes nettes consolidées de \$306,000 qui, après déduction du dividende des actions privilégiées, représentent 17¢ par action de classe "A" et 18¢ par action de classe "B". L'an dernier, durant le même trimestre, nous n'avons réalisé ni profit ni perte.

Pour les premiers six mois le chiffre d'affaires consolidé a été de \$58.0 millions, en regard de \$42.2 millions l'an dernier et \$44.0 millions il y a deux ans. Les résultats de 1976 incluent le chiffre d'affaires de la division de la distribution en gros des papiers fins de Les Papeteries Kruger, acquise le 31 mars 1975. Les pertes nettes consolidées de \$125,000 durant les premiers six mois, ou 8¢ par action de classe "A" et 10¢ par action de classe "B", se comparaient à des bénéfices nets consolidés de \$393,000, ou 20¢ par action de classe "A" et 18¢ par action de classe "B", durant la même période l'an dernier.

Les pertes durant le trimestre sont dues à une baisse des expéditions de nos usines en comparaison du niveau du premier trimestre, à la détérioration continue de notre marge bénéficiaire, à des coûts de développement pour deux nouveaux produits et à l'efficacité réduite dans nos usines à papier.

Les expéditions canadiennes réduites de papiers fins sont attribuées à la situation économique faible au Canada et au volume important des importations des Etats-Unis. Les marchands et les consommateurs canadiens ont été forcés d'importer des papiers fins des Etats-Unis durant la récente grève prolongée chez trois importants fabricants canadiens de papiers fins. Bien que les importations diminuent progressivement, nous ne prévoyons pas un retour à leur niveau historique en 1976. Il nous a été impossible d'augmenter les prix

de vente depuis novembre 1974, afin de compenser les augmentations importantes des coûts de la pâte, des produits chimiques, du combustible, du transport et des salaires depuis cette date. En fait, des usines canadiennes ont réduit les prix de certaines qualités de papier afin de regagner leur part du marché perdue aux importations de produits américains.

Les modifications apportées à notre machine à papier no 4, afin d'y produire les papiers de base pour stratifiés décoratifs, ont été terminées durant le trimestre; il en est résulté des frais de développement et de mise en marche. Nous n'anticipons aucun revenu important de ce produit durant l'année en cours. En mai 1976 l'usine de Orchard Decor Canada Limitée à Granby, Québec, a commencé la production de papiers imprimés pour la transmission à chaud de motifs sur tissu pour l'industrie du textile.

Vos administrateurs ont décidé d'omettre le paiement du dividende trimestriel prévu normalement le 15 septembre aux actionnaires de la classe "A" et de la classe "B".

La question des dividendes sera étudiée attentivement par votre conseil d'administration.

Au nom du Conseil,

Le Président Directeur général
Lucien G. Rolland

Montréal, le 30 juillet 1976

État consolidé des revenus et dépenses
(milliers de dollars)

	Trois mois terminés le 30 juin		Six mois terminés le 30 juin	
	1976	1975	1976	1975
Ventes et autres revenus:				
Ventes	\$27,447	\$24,525	\$58,026	\$42,226
Revenus de placement et autres	69	106	170	204
	27,516	24,631	58,196	42,430
Coût et dépenses:				
Coût des produits vendus, frais de vente et d'administration	27,289	24,079	56,945	40,789
Amortissements	492	429	955	831
Frais d'intérêt	265	192	566	292
	28,046	24,700	58,466	41,912
Bénéfices (pertes) avant déduction des impôts et intérêt minoritaire	(530)	(69)	(270)	518
Impôts sur le revenu	105	41	(15)	(198)
Intérêt minoritaire dans les pertes	92	—	106	—
Bénéfices (pertes) d'exploitation	(333)	(28)	(179)	320
Amortissement de l'excédent des coûts d'acquisition après impôts	(36)	(35)	(71)	(52)
Revenus de dividendes	63	63	125	125
Bénéfices nets (pertes)	\$ (306)	\$ Nil	\$ (125)	\$ 393
Bénéfices nets (pertes) par action de classe "A"	\$ (0.17)	\$ (0.01)	\$ (0.08)	\$ 0.20
Bénéfices nets (pertes) par action de classe "B"	\$ (0.18)	\$ (0.02)	\$ (0.10)	\$ 0.18

État consolidé de l'évolution de la situation financière

PROVENANCE DES FONDS

Bénéfices nets (pertes)	\$ (306)	\$ Nil	\$ (125)	\$ 393
Amortissements	533	470	1,037	889
Impôts différés	—	333	—	680
Intérêt minoritaire dans les pertes	(92)	—	(106)	—
Fonds autogénérés	135	803	806	1,962
Hypothèque	185	—	185	—
	\$ 320	\$ 803	\$ 991	\$ 1,962

UTILISATION DES FONDS

Dépenses d'immobilisation	\$ 1,684	\$ 1,757	\$ 3,221	\$ 3,219
Réduction de la dette à long-terme	57	—	83	—
Dividendes	15	285	30	570
Achalandage et immobilisations acquis de Kruger	—	2,171	—	2,171
	1,756	4,213	3,334	5,960
DIMINUTION DU FONDS DE ROULEMENT	(1,436)	(3,410)	(2,343)	(3,998)
	\$ 320	\$ 803	\$ 991	\$ 1,962

FONDS DE ROULEMENT

\$14,954 \$ 9,446

Etats intérimaires non vérifiés

Imprimé sur Rolland Tints, tan africain, 140M/104g/m²